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Contract Poultry Growers Demand Federal Action to Restore Fair Markets

First Government Hearing to Address Lack of Competition in Poultry Industry

Huntsville, AL – On Thursday, the Campaign for Contract Agriculture Reform, a national alliance working to provide a voice for farmers involved in contract agriculture, offered rare testimonials on the impact that lack of competition in the poultry industry has on family farms. The next day, the United States Department of Agriculture (USDA) and Department of Justice (DOJ) held the first workshop ever to address the issue of competition in poultry markets.

In the U.S., most chicken is produced in a contract system where large poultry companies (called integrators) enter into contracts with individual farmers who grow the chickens for them. The growers never own the birds, but do build new barns to meet company specifications and are responsible for waste generated by the birds.

“Four companies control almost 60 percent of the U.S. market for broiler chickens,” said Patty Lovera, Assistant Director of Food & Water Watch. “And it’s even worse on the local level, where many regions have only one or two chicken processors, leaving growers with few options and compelling them to take whatever contract they are offered.”

Farmers initially borrow hundreds of thousands of dollars to enter the contract poultry growing business. The debt often forces them to accept whatever terms companies offer. In addition to terminating growers’ contracts without due cause, companies often manipulate the amount growers are paid and force growers to spend hundreds of thousands of dollars to update their barns under the threat of terminating their contracts. The debt on the barns can loom over farmers for a decade or more, much longer than the short term contracts held by nearly half of poultry growers (the contracts typically last seven weeks – the amount of time it takes to grow one flock of birds).

Kay Doby, a former contract grower and former president of the North Carolina Contract Poultry Growers Association, compared growers to indentured servants, trapped in a system that “promises job security in the beginning, but then immediately takes away that

security in the form of a contract that is one sided and can be changed or taken away after the grower has borrowed hundreds of thousands of dollars.”

Borrowing hundreds of thousands of dollars for a new facility to house chickens that they do not own, however, has left many growers with no other options.

“Raising chickens on contract involves tremendous financial insecurity,” said Andy Stone, a board member of Mississippi Agriculture Producers Association. “When I got started, I thought that if I had a reason to switch from one integrator to another, I could. But after a few months I realized the integrators have an unwritten pact with their ‘sister’ integrators – ‘You don’t take our growers, and we won’t take your growers.’”

Data from the Alabama Farm Business Analysis Association reveals that in Alabama, contract poultry growers with five poultry houses, for example, had an annual negative net return in 10 of the last 15 years.

The majority of growers’ earnings have remained stagnant since the 1990s, while operating costs continue to increase.

For Mike Weaver, President of the Contract Poultry Growers Association of the Virginias, these statistics are personal. “The poultry companies and retailers haven’t shared profits with growers,” Weaver said. “Growers are losing money with every flock.”

The growers expressed cautious enthusiasm that the impending USDA/DOJ workshop would result in improved regulation of the industry. Right now, the USDA currently lacks the enforcement authority to counter abuses or unfair contract terms leveled against poultry growers by companies.

“This hearing on competition in the poultry industry is long overdue,” said Jonathan Buttram, a grower and the President of the Alabama Contract Poultry Growers Association. “We need new regulations and better enforcement of existing laws to start to level the playing field.”

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The Campaign for Contract Agriculture Reform is a national alliance of organizations working to provide a voice for farmers and ranchers involved in contract agriculture, as well as the communities in which they live. Members include the Alabama Contract Poultry Growers Association, Contract Poultry Growers Association of the Virginias, Food & Water Watch, Mississippi Agriculture Producers Association, National Farmers Union, National Sustainable Agriculture Coalition, North Carolina Contract Poultry Growers Association, Organization of Competitive Markets, and Southeast Asian American Farmers Association.